

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-07 NSAE-00 FAA-00 AID-05 FRB-03 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 L-03 /055 W

----- 116640

R 240220Z OCT 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 889

C O N F I D E N T I A L JAKARTA 12985

EO 11652: GDS

TAGS: EAIR EVIN ID

SUBJ: BAYU AIRLINE'S RIPOFF ON EXIM-FINANCED

SATELLITE GROUND STATION

REF: A. USIA 24374 B JAKARTA 12716

C. JAKARTA 11819 D. STATE 213922

SUMMARY: BAYU AIR APPEARS TO HAVE CIRCUMVENTED OBSTACLES TO ITS RIPOFF ON COMMUNICATIONS EQUIPMENT CHARTERS BY MAKING DEAL WITH NON-SCHEDULED US CARRIER ZANTOP AIR INTERNATIONAL(REF A). REQUEST DEPARTMENT'S ADVISE ON WHAT ATTITUDE EMBASSY SHOULD TAKE TOWARD BAYU-ZANTOP ARRANGEMENT. END SUMMARY

1. VISIT OF DUANE ZANTOP, OF WHICH WE WERE INFORMED IN REF A, TURNED INTO DISCUSSION OF PROPOSED BAYU AIR DEAL ON COMMUNICATIONS EQUIPMENT CHARTERS. ON OCTOBER 22 E/CM COUNSELOR WAS VISITED BY ZANTOP, HAROLD JENSEN (US PROMOTER WITH VARIOUS ENTERPRISES IN INDONESIA), SOELARTO (PRESIDENT OF BAYU AIR WHO APPEARS TO HAVE DIRECT PIPELINE TO PRESIDENT SUHARTO), AND OFFICIALS OF ZANTOP AIR INTERNATIONAL AND BAYU AIR. JENSEN AND ZANTOP INFORMED US THAT ZANTOP AIR INTERNATIONAL IS CONFIDENTIAL

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ENTERING INTO TECHNICAL AGREEMENTS (NOT JOINT VENTURES

AS PER REF A) WITH BAYU AIR AND OTHER MINOR INDONESIAN CARRIERS TO FURNISH THEM WITH AIRCRAFT AND MANAGEMENT SERVICES. IMMEDIATE TARGET OF ZANTOP AND BAYU IS CONTRACTS FOR CARRIAGE OF COMMUNICATIONS EQUIPMENT FOR DOMESTIC SATELLITE PROGRAM. ZANTOP IS ALREADY IN TOUCH WITH ITT, HUGHES AND PHILCO FORD ABOUT THESE CONTRACTS.

2. ZANTOP, AS A US CARRIER, WILL TRANSPORT ENTIRE CARGO, THUS AVOIDING THE EXIM-FINANCING PROBLEM SUMMARIZED IN REF D, PARA 1A (AMOUNT AND GUISE OF PAYOFF TO BAYU AIR WERE NOT SPECIFIED IN DISCUSSION, BUT IT APPEARS THAT BAYU AIR WILL RECIEVE A FAT FEE PURELY IN RETURN FOR ITS "COOPERATION;" SOELARTO FRANKLY ACKNOWLEDGED THAT BAYU WOULD NOT PERFORM ANY SIGNIFICANT SERVICES.) ACCORDING TO ZANTOP, CAB APPROVAL OF CAHRTER PROGRAM IS NOT REQUIRED(REF D PARA 1B) SINCE HIS CARRIER IS A SUPPLEMENTAL. ALL ZANTOP NEEDS, HE SAYS, ARE INDONESIAN LANDING RIGHTS, OF WHICH, OF COURSE, HE IS ASSURED.

3. JENSEN AND SOELARTO STRESSED THAT BAYU AIR IS OWNED BY A SON OF PRESIDENT SUHARTO(SIGIT) AND THAT THE PRESIDENT HIMSELF HAS A STRONG PERSONAL INTEREST IN ITS OPERATIONS. ACCORDING TO SOELARTO, E/CM COUNSELOR'S LETTER TO KARDONO (REF C) WAS BROUGHT TO THE PRESIDENT'S ATTENTION AND MADE HIM QTE VERY ANGRY UNQTE, BECAUSE EXIM WOULD BE FULLY REPAID ON ITS LOAN AND IF POOR COUNTRY LIKE INDONESIA WANTED TO DEVELOP OWN AIR CARGO CAPABILITY IT WAS LOGICAL TO MAKE ARRANGEMENTS SUCH AS THIS. (AMBASSADOR SAW PRESIDENT SUHARTO RECENTLY, HOWEVER, AND HAD A PERFECTLY NORMAL, PLEASANT MEETING). PHILIPS OF NETHERLANDS IS AIR LIFTING CARGO FOR GOI DIR GEN TELECOMMUNICATIONS PROJECT TO IMPROVE AND EXPAND JAKARTA TELEPHONE AND TELEX SYSTEMS UNDER SIMILAR CIRCUMSTANCES UNDER WHICH LUFTHANSA IS SPLITTING ON 50/50 BASIS WITH BAYU, ACCORDING TO SOELARTO.

4. ACCORDING TO INFO OBTAINED INFORMALLY FROM A US FAA OFFICIAL FROM GUAM WHO VISITED JAKARTA, ZANTOP AIR INTERNATIONAL HAS FINANCIALLY SHAKY HISTORY AND RECORD OF FAA VIOLATIONS AND QUESTIONABLE
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PRACTICES. IT IS NOT LISTED IN STANDARD AND POOR'S OR OTHER DIRECTORIES AVAILABLE HERE. THE MANAGER OF THE JAKARTA BRANCH OF THE CHASE MANHATTAN BANK, HOWEVER, REPORTS THE FIRM IS FINANCIALLY SOLVENT AND REPUTABLE. EMBASSY WOULD APPRECIATE AS MUCH INFORMATION ABOUT ZANTOP AIR AS FEASIBLE. WHEN ASKED BY E/CM CONSELOR ABOUT "TRACK RECORD" ZANTOP SAID HE HAS NO COPIES ZANTOP ANNUAL REPORT BUT THAT "SENATOR GURNEY"COULD

TELL US ABOUT TRACK RECORD. ZANTOP SAID HE LAWYER
ARRIVING JAKARTA OCTOBER 27 AND WOULD HAVE FULL
INFORMATION.

5. WE HAVE TOLD LOCAL PANAM REP JOHNSON GIST OF ABOVE
DISCUSSION; HE APPEARS RESIGNED TO LOSS OF HUGHES
CONTRACT TO ZANTOP. WE HAVE STRESSED TO JENSEN AND
ZANTOP THAT EMBASSY WOULD NOT FAVOR ONE QUALIFIED US CARRIER
OVER ANOTHER. REQUEST DEPARTMENT'S ADVICE AS
TO WHETHER ZANTOP IS QUALIFIED UNDER US LAW AND
REGULATIONS, INCLUDING EXIM REGULATIONS, TO CONDUCT
COMMUNICATIONS EQUIPMENT CHARTERS. NEWSOM

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